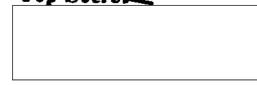


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POLAND: Situation Report

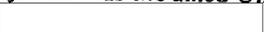
**Mazowiecki
Reportedly Asked To
Form Government**

President Jaruzelski apparently has asked Solidarity adviser Mazowiecki to form a government; a Solidarity-led government might offer weary Poles new hope for genuine power sharing but would still face staggering economic problems and probably stiff bureaucratic resistance. Jaruzelski is waiting for the results of a potentially stormy Communist party Central Committee plenum that opens today before making a formal announcement. Mazowiecki, however, hinted publicly yesterday that Jaruzelski had asked him to form a new government. He is editor in chief of a Solidarity newspaper, is relatively moderate, and is a longtime adviser to Lech Walesa. 

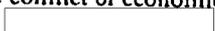
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Comment: The plenum may be the final hurdle for a Mazowiecki government. Angry hardliners concerned about their waning influence will bitterly oppose Jaruzelski's course as an abdication of the party's leading role; party moderates will tout Solidarity's apparent willingness to include Communists as ministers of defense and internal affairs. It is conceivable that the Communists would threaten to boycott a Mazowiecki government in the hope of forcing Jaruzelski to renege on his offer to Solidarity. Jaruzelski controls the security forces and would veto any appeal from discredited hardliners to use them to block formation of a new government. 

6.2(d)

The new government will have far more popular support than any Communist government has had and stands a better chance of persuading demoralized workers and consumers to be patient and to accept austerity. The new premier will probably move quickly to select cabinet ministers representative of the different factions in Solidarity as well as the allied United Peasants' and Democratic Parties. 

6.2(d)

The country's huge foreign debt, near hyperinflation, consumer shortages, and obsolete industrial base make economic policy Mazowiecki's biggest challenge. His immediate problem will be to end the proliferation of wildcat strikes against spiraling food prices and for inflationary wage hikes. Hardliners in the security forces, the military, and the state bureaucracy have been kept off-balance by the accelerating pace of political change but will try to frustrate some government policies; they may work actively to embarrass the coming government. Over the longer term, popular good will will be strained by extreme consumer austerity, and government unity may be threatened by the conflict of economic and philosophical approaches within Solidarity. 

6.2(d)

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3.3(b)(1)
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[Redacted]

6.2(d)

Soviet Concerns

A Soviet Foreign Ministry spokesman recently called the proposed Polish government sensible. During his visit to Paris last month, Foreign Minister Shevardnadze said that the USSR would not object to a Solidarity member forming a government in Poland and that Moscow's primary concern is for internal stability. Last month in Paris, President Gorbachev publicly warned against outside attempts to destabilize Bloc countries undertaking difficult reforms. [Redacted]

3.3(b)(1)

[Redacted] Gorbachev said Western support for leaving the Warsaw Pact or using debt as a lever would be going further than Moscow could tolerate. [Redacted]

6.2(d)

Comment: The Soviets now appear willing to accept a Solidarity government with Communists in key roles, but a Solidarity government in Warsaw will mean more trouble for Moscow in managing relations with other Pact members. The USSR is not likely to try to undermine a Solidarity government unless it takes Poland out of the Pact or CEMA or adopts openly anti-Soviet policies. Even then, Moscow would prefer a crackdown by Polish elements and would use its own military only as a last resort. [Redacted]

6.2(d)

If a new government is reasonably successful and does not challenge fundamental Soviet interests, Gorbachev will be spared significant damage but may come under more pressure to adopt a multiparty system in the USSR. If there is economic chaos, political violence, and a further erosion of the Communist party's position in Poland, Gorbachev could argue that it proves the wisdom of his rejection of such a multiparty system. His opponents, however, will still hold him responsible for any Polish crisis and use it to rally support. [Redacted]

6.2(d)

Impact of Polish Events in Eastern Europe

Soviet acquiescence in the establishment of a Solidarity-led government in Poland is likely to be the turning point for reform in the rest of Eastern Europe. [Redacted]

6.2(d)

The East Europeans continue to be cautious in reporting political changes in Poland. East Germany, which has to be one of the countries most alarmed by events in Warsaw, has been silent. Czechoslovak media are questioning Solidarity's willingness to maintain Poland's commitments to the Pact and charge that it has repeatedly "broken its word." [Redacted]

6.2(d)

Comment: Reformers and hardliners will see Soviet acquiescence in true power sharing as opening the way for political changes undreamed of even a month ago. Hardliners will feel backed to the wall by Moscow's "betrayal" and forced to choose between defending themselves and throwing in the towel. [Redacted]

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West European Reactions to Poland

Centrist and conservative newspapers are portraying developments in Poland as further evidence of the "bankruptcy" of Communism, but no government has yet commented. Some articles, particularly in the West German press, are raising the fear that instability in Poland will lead to Soviet intervention. Most editorials are skeptical of Solidarity's ability to cure Poland's economic woes, and some have urged a Western "Marshall Plan" for the Poles.

West European leaders probably expect more instability in Poland, which they fear could weaken Soviet President Gorbachev. A non-Communist government in Poland will strengthen the arguments of leaders such as West German Foreign Minister Genscher for substantial assistance to reformist regimes. They see aid as essential to reduce the risk of instability and to ease the threat to Gorbachev's rule. The French, as EC President, are likely to point to the EC-sponsored aid effort as the best channel for the West to help the new Polish Government develop an economic reconstruction program.

Bonn also welcomes reform in Poland as a stimulus to liberalization in Eastern Europe, which it hopes will, in the long run, ease the division of Germany. It almost certainly fears, however, that rapid change might provoke a backlash in Moscow or among hardline regimes such as that in East Germany.

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[Redacted]

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The most immediate consequences are likely to occur in Czechoslovakia, where dissidents and the hardline Prague government will be energized by the events in Poland. Illegal demonstrations on Monday marking the 21st anniversary of the crushing of the "Prague Spring" will probably draw a larger, more militant crowd than would otherwise be the case, and the regime will feel even more compelled to stifle any such backsliding in Czechoslovakia. [Redacted]

6.2(d)

The most significant long-term impact is likely to be felt in Hungary, where political reform already is far advanced. Party reform leader Imre Poszgay will be encouraged to press for a clean sweep of the old guard at the party congress this fall rather than a compromise that would leave some of them in place. If party reform does not meet his expectations, Poszgay may jettison the Communist party and lead a new social democratic-type party into next year's elections. Furthermore, the non-Communist opposition groups are likely to be encouraged to pull out all the stops and try to bring the Communists down. [Redacted]

6.2(d)

Events in Poland will confirm East Germany's worst fears about the deleterious results of reform in Eastern Europe and the wrong-headed course it believes Gorbachev is on. The leadership probably will move quickly to defuse the refugee impasse with West Germany and Hungary so it can concentrate on holding the line against change and cling even more closely to Czechoslovakia and Romania. [Redacted]

6.2(d)

The long-term effect of events in Poland and Moscow's apparent noninterference policy toward Eastern Europe is likely to be the progressive erosion of the political power of the local Communist parties, despite the resistance of hardliners. [Redacted]

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